



Financial Inclusion Index: RBI

For Prelims: Financial Inclusion, Initiatives to Promote Financial Inclusion, RBI

For Mains: Significance of Financial Inclusion Index

Why in News?

The [Reserve Bank of India](#) has released the **Composite Financial Inclusion Index (FI-Index)** for the year ended 31st March 2022.

What are the Findings?

- India's Financial Inclusion Index has improved to **56.4 from 53.9** in the previous year 2021.
- The improvement has been seen across **all its sub-indices (Access, Usage and Equality)**.

What is the Financial Inclusion Index?

- **About:**
 - It is a comprehensive index incorporating **details of banking, investments, insurance, postal as well as the pension sector** in consultation with the government and respective sectoral regulators.
 - It was developed by the RBI in 2021, **without any 'base year'**, and is published in July every year.
- **Aim:**
 - To **capture the extent of Financial Inclusion across the country**.
 - The FI-Index is responsive to ease of access, availability and usage of services and quality of services, consisting of **97 indicators**.
- **Parameters:**
 - It captures information on various aspects of financial inclusion in a single value **ranging between 0 and 100**, where 0 represents complete financial exclusion and **100 indicates full financial inclusion**.
 - It comprises **three broad parameters** (weights indicated in brackets) viz., Access (35%), Usage (45%), and Quality (20%) with each of these consisting of various dimensions, which are computed based on a number of indicators.
 - The index is **responsive** to ease of access, availability and usage of services, and quality of services **for all 97 indicators**.

What is the Significance of FI Index?

- **Measures Level of Inclusion:**
 - It provides **information on the level of financial inclusion** and measures financial services for use in internal policy making.
- **Development Indicators:**
 - It can be **used directly as a composite measure** in development indicators.

- **Fulfil the G20 Indicators:**
 - It **enables fulfilment of [G20 Financial Inclusion Indicators](#)** requirements.
 - The G20 indicators assess the state of financial inclusion and digital financial services, nationally and globally.
- **Facilitate Researchers:**
 - It also **facilitates researchers to study the impact of financial inclusion** and other macroeconomic variables.

What is Financial Inclusion?

- **Financial inclusion** is defined as the **process of ensuring access to financial services and timely and adequate credit where needed** by vulnerable groups such as weaker sections and low-income groups at an affordable cost.
- In a diverse country like India, financial inclusion is a critical part of the development process. Since independence, the **combined efforts of successive governments, regulatory institutions, and civil society have helped in increasing the financial-inclusion** net in the country.
- Being able to have access to a transaction account is a **first step toward broader financial inclusion** since a transaction account allows people to store money, and send and receive payments. A transaction account serves as a gateway to other financial services.

What are the Initiatives to Increase Financial Inclusion in India?

- [Pradhan Mantri Jan Dhan Yojana](#)
- [Digital Identity \(Aadhaar\)](#)
- [National Centre for Financial Education \(NCFE\)](#)
- [Centre for Financial Literacy \(CFL\) Project](#)
- [Expansion of financial services in Rural and Semi-Urban Areas](#)
- [Promotion of Digital Payments](#)

[Source: IE](#)

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